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GENERAL

1. Austrian delegation invited to Moscow for negotiations:

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The Soviet Ministry of Foreign Affairs has invited the Austrian Government to send a delegation to Moscow to discuss Soviet expenses for repatriation of prisoners and liberation of civilians by the Soviet Army.

This invitation is apparently in reply to a message which the Austrian Government sent in the autumn of 1949 offering to send delegates to Moscow for discussion of Soviet claims connected with repatriation of prisoners of war. No answer had previously been received. The Soviet reference to liberated Austrian citizens apparently involves unsettled Austrian treaty article 48B covering Russian services and supplies to Austria.

Austrian Foreign Minister Gruber is inclined to send a delegation, although he realizes that the Russians may use this as a pretext for stalling at the forthcoming four-power treaty discussions.

Comment: The Deputy Foreign Ministers previously had referred Article 48B to Austria and the USSR for bilateral negotiation. The Russians in the past have objected to discussing other unagreed articles of the treaty until an agreement on this point had been reached.

FAR EAST

2. Viet Minh reportedly rejects Chinese Communist troop offer:

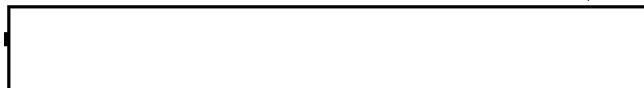
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A Chinese Communist proposal to intervene in Indochina has been rejected by the Viet Minh, which is confident that the situation in Tonkin is developing in its favor and prefers

to keep the conflict a local one,  Chinese

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Communist troops were sent to the coastal area above Moncay to prevent utilization of French border garrisons as reinforcements against coming Viet Minh attacks in the delta.

Comment: This report is unconfirmed. All reliable sources agree that there are no Chinese Communist combat units in Indochina. Viet Minh reluctance to call upon Chinese Communist troop support has been reported from time to time for over a year, and is plausible in view of the traditional unpopularity of the Chinese in Tonkin and the continuing improvement of the Viet Minh army.

3. Military crisis fails to induce French concessions to Viet nationalism:

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[REDACTED] The French Minister for the Associated States believes that the basic problem in Indochina is political rather than military, but apparently has no policy changes in mind for dealing with the political situation. In a conversation with the Far East director of the Mutual Security Agency, the Minister charged that the Vietnamese are incapable of independence, but then agreed that a more effective Vietnamese Government might create further difficulties for France.

Comment: The Minister's statement reflects France's failure to rally the Vietnamese to an anti-Communist effort within the French Union.

Despite increasing French concern over the financial burden of the war in Indochina, there is no indication that France has any intention of modifying its present political relationship with Vietnam. There is likewise no indication that the Bao Dai government and the Vietnamese people will be willing or able to contribute effectively to the military effort, so long as France makes loyalty to the French Union a prerequisite for high-level office in the Bao Dai government.

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[REDACTED]

4. Burmese considering limited appeal to UN:

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In reply to the US Charge's suggestion that Burma request an observation commission should it decide to place the Chinese Nationalist problem before the UN, the Permanent

Secretary of the Foreign Office stated that his government had already recognized that this was "one feasible line of action." He added, however, that Burma may simply alert the UN to the possibility of a future request for assistance.

Comment:

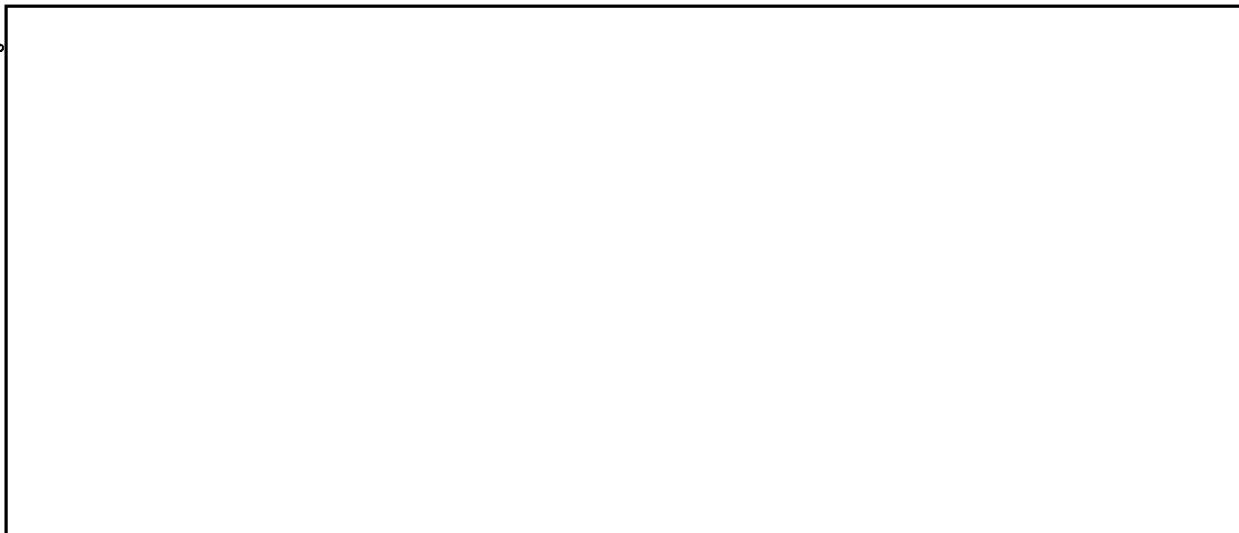


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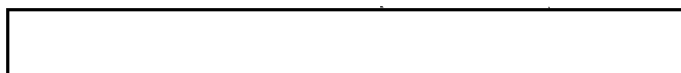
presentation of the Chinese Nationalist problem to the UN would be as embarrassing to themselves as to other nations involved and would also be unlikely to produce an effective remedy to the situation. This report indicates clearly that the Burmese are attempting to develop a course of action which would resolve their dilemma by focussing the world's attention on the Nationalist problem without admitting their inability to deal with it.

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SOUTH ASIA

6. Comment on the Soviet statements on Kashmir:

Soviet UN delegate Malik's demand on 17 January that the Indian-Pakistani dispute over Kashmir be settled by a Kashmiri Constituent Assembly will increase local bitterness, promote South Asian suspicion of "Western imperialism" and complicate a case which may have been moving toward a settlement.

Regardless of popular reaction, the Indian Government is publicly committed to continue to seek a solution through the United Nations. Pakistan's deeply-rooted suspicions that India has no real intention either of abiding by a United Nations decision or of achieving a negotiated settlement are reinforced by the Soviet maneuver.

In view of Malik's private suggestion to an Indian official in March 1951 that the indicated solution for Kashmir would be independence, this Soviet maneuver may be calculated to support the recent drive for greater autonomy on the part of the Kashmiris in the present Indian-sponsored government of that state. An independent or semi-independent Kashmir with strong leftist elements in its government would afford the Communists opportunities for infiltration and for expanding their program in South Asia.

NEAR EAST - AFRICA

7. Syria presses for American military aid:

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[REDACTED] Top Syrian officials have increased their demands for US military aid. The American Minister in Damascus states that the Syrian Chief of State will talk of nothing else until he learns the US position in this matter. The Minister believes that the

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influential Chief of Staff, Lt. Col. Shishakli, delegated to the head of the government the task of pressing for arms, and that "only military aid will really strengthen the US position" in Damascus.

The Minister states that his efforts to work out a unified Western approach in regard to military aid have proved fruitless to date.

Comment: Syrian military demands for Western arms have probably increased as the result of the continuing clouded political atmosphere in Damascus. While the Syrian Chief of Staff is believed to be friendly to the West, his conference with Soviet diplomatic representatives in the past indicates that he is sufficiently opportunistic to seek arms from any quarter if his own dominant position in the country will thereby be strengthened.

WESTERN EUROPE

8. New French Government faces difficulty in financing present commitments:

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Former Premiers Pleven, Bidault, and Reynaud have told Ambassador Bruce in Paris that they believe the budgetary problem arising from present commitments in Indochina and Europe is insoluble and that any French government at this time will therefore be "comparatively short-lived."

Pleven believes that he can best promote the European Defense Force and the idea of European federation by serving in the Assembly without obligations to the coalition government. He expects Parliament to give general approval of the European defense plan before the Lisbon NATO meeting next month, but warns that formal ratification will be more difficult to obtain.

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Comment: Premier-designate Edgar Faure has won Assembly support by giving in to the Socialists' objections to government economies by decree. This ends all hope for balancing the 1952 budget without recourse to seriously inflationary measures.

If France fails to get the United States and the United Nations to share its financial burden in Indochina soon, a considerable increase in inflationary pressures in France can be expected; this would further aggravate both the rearmament problem and political instability.

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